

# Third Sector Management Practice: Lessons to Learn From Private and Public Sectors



**Chhabi Kumar**

Senior Research Fellow,  
Deptt. of Sociology and Social  
Work,  
Rani Durgavati University,  
Jabalpur, M.P.

## Abstract

Non-Governmental Organizations (NGO's) have emerged as the most prominent players in the development sector. Their roles as facilitators, organizers, advocates as well as service providers have been at large accepted and acknowledged, both by the Government agencies as well as the larger civil society. The current paradigm of development views it as a continuous process which require a collaborative participation and networking involving Government Organizations, NGO's and business and corporate houses. The following paper discusses that this can be achieved only if there is a consistency and parity in their performance. However, despite their growing numbers, significance and ever expanding responsibilities, the management of NGO's remain largely ignored and a subject of much debate. The paper also discusses the various new concepts and practices related to Management that has been in vogue with both Private and Public sectors. The article makes an attempt to bring out the importance of studying the NGO Management systematically by inculcating and combining relevant theoretical and practical aspects of management from the public sector, private sector and the development sector to the universe of NGO Management. At the outset, it must be made clear that this process however, would require a careful scrutiny and understanding of NGO's functions, processes, contexts, internal dynamics, objectives and challenges and application of the needful principles should be done accordingly.

**Keywords:** Third Sector, Management, Organisational Reform.

## Introduction

### NGO Management: Challenges before NGO's

NGO's are Organizations concerned with the promotion of social, economic and political change (Lewis, D.; 2007). This implies that NGO's are agencies committed to carry out development or humanitarian works at local, national as well as international levels. It is beyond doubt that any successful development strategy involves careful efforts to combine knowledge, technical expertise, institutional capacity building, professional skills and practical experience for optimum results. Thus, the need for an effective, efficient and objective oriented management system for an Organization cannot be overlooked.

Fowler and Edwards (2002) have given a broad definition to the term Management than just the mere techniques of decision making, human resources and finance. According to them, 'management requires the articulation of a clear and common vision for the Organization and a set of strategies to achieve it. It also involves mobilization of all the necessary human, financial and intellectual resources and external contacts and connections that are required to operate these strategies effectively, and the continuous readjustment of strategy and structure in a changing context.'

As the NGOs are seeking a greater role and participation in the global polity and economics, their focus have expanded and shifted from "development as delivery to development as leverage", that is working towards creating a new world order (Fowler and Edwards; 2002). These changes in turn have significant implications for NGO roles, their relationships, accountability and capacities and as such pose a great challenge to the NGO managers and other staff.

These challenges stem from both external as well as internal environment of NGO's. Whereas the external environment includes the socio-economic and political context, the client system, other stakeholders like funding agencies as well the larger international community, the internal environment of an NGO includes the various organizational processes, and structural-functional aspect of the agency etc. At the same

time, various management dilemmas are faced by the NGOs. These include those of governance and accountability, participation and partnership, measuring achievements, Organizational learning, resource mobilization and sustainability and gender equity among others (Fowler and Edwards; 2002).

A major challenge before the NGO's is posed by the immediate external environment of these Organizations. The context within which most developmental Organizations operate is resource scarce, culturally diverse and institutionally complex (Fowler; 1997). Unstable political system may create problems relating to information or communication access, dangers to staff, and non-cooperative nature of government authorities among others (Lewis, D.; 2003). Cultural diversity may create a problem of cross-cultural encounters between locals and 'outsiders', cultural sensitivity between NGO staff and local communities etc. (Lewis, D.; 2003).

Financial uncertainty accompanied by 'conditional funding' by the aid agencies often increases the problem of co-optation and value compromise among the NGO's. This is caused due to the volatility of the funds, 'donor fatigue' among the general public and shift in fashion and relationships among government and international agencies among others (Lewis, D.; 2003). This in turn creates problems of preserving their identities and core programmes when income is difficult to predict from one year to the next (Lewis, D; 2003). The acceleration of economic and social changes associated with 'globalization' is bringing another set of management challenges. This may require NGOs to develop new structures and systems that combine a global reach with local decision making (Lewis, D; 2003).

Working with a wide range of stakeholders, most NGOs are faced with different forms of complexities related to the management of legitimacy, accountability and other external relationships. NGOs have to demonstrate accountability and transparency to a wide range of stake holders who may have different information needs, priorities for the organization, visions of success and definitions of legitimacy, including their board of trustees, their donors (individuals as well as institutional), partners, staff and external critics (Fowler and Edwards; 2002; Sheehan, 1998).

The next set of challenge comes from the fact that NGO's are value based and goal oriented Organizations. In order to link the organizational goal of social change with their management style and organizational development, it becomes imperative that the NGOs must strive to promote the processes of participation, democratization, non-discrimination and empowerment within the organization (Fowler and Edwards; 2002).

The institutional challenge for all development agencies is to flatten and soften hierarchy, to develop a culture of participation, to promote gender equity and recruit a disciplinary mix of staff committed to people, to adopt and promote procedures, norms and rewards which permit and encourage more participation at all levels (Sheehan, J; 1998). Thus, the expectations from the managers

become all the more visible and management of diversity becomes the need of the hour.

Similarly, as the result of the value base and mission for social change, the staffs of NGOs are unlikely to respond to the traditional command and control methods or material incentives. Instead, personal commitment and satisfaction, a shared ideology and a feeling that the staffs have a meaningful stake in the mission and direction of the organization would go a long way to influence the staff commitment to the organizational goals (Fowler and Edwards; 2002). This poses a great deal of challenge to the managers of these organizations as the staff must be brought into the processes of organizational change and decision making on a less hierarchical basis. These core challenges to NGOs, however, at the same time offer a distinctive set of opportunities to firmly ground the theorization and practice of NGO Management.

### **Public and Private Sectors—Looking the Way Forward**

Managerial rethinking becomes all the more imperative since, of late, similar efforts within the private and public sectors are underway. The government sector has long been facing criticism of being insensitive to the needs of the people and for its inefficiency caused by bureaucratic delays and red-tapism. However, with the advent of Development Administration, post Second World War, states world over have moved their focus on Government influenced change towards the attainment of progressive socio-economic and political objectives. In the words of Edward Weidner (1962) "Development Administration is an action-oriented and goal-oriented administrative system". Thus, governments world over have been focusing on attaining the goals of efficiency, effectiveness and economy.

Pai Panandikar and Kshirsagar (1978) have outlined the four behavioral parameters for development administration as being change orientation, result orientation, citizen participative orientation and commitment to work. This approach has further been resounded by the concepts of "*New Public Management (NPM)*", "*Entrepreneurial Government*" and "Good Governance". The idea is to form a government which is multifaceted and mission driven. This form of government is characterized as being an enabler or a facilitator, community owned, result oriented, decentralized and at the same time 'competitive'. Thus, the general public is seen more as customers who have to be provided with efficient and effective services.

The idea of a government system which is market or customer driven is however, not free from criticism. "Public interest and not market philosophy" has to be the main driving force for the public functionaries. At the same time the need for accommodating the interests of every strata of the society, feeling the pulse of the nation, intervening in conflictual situations and calculating pay-offs in difficult bargaining situations are some of the other considerations that cannot be compromised (Bhattacharya; 1998).

The generic or the corporate management has also been experimenting and advocating a more participatory and employee centered management

practices. Taking cue from the ideas propounded by Human relationists like Elton Mayo, Chester Bernard, Chris Argyris, Douglas McGregor among others, the theme of Organization-individual relationship has come to the forefront, where individuals have been given the center stage. It focuses on the role of the individual, importance of leadership in an Organization, group dynamics, motivation and satisfaction among others (Bhattacharya; 1998). Since the early 1960s, interest in, and support for, employee participation has been rapidly increasing (Sheehan; 1998). Generic management has clearly distinguished between a task-oriented authoritarian approach to management, on the one hand, and an employee-centered, democratic or participative style on the other (Sheehan; 1998).

'Empowerment' is now widely considered in business management as the basis of Organizational goal and functioning. Thus, 'Participative Management', such as that proposed by Likert's (1961) 'System 4', has become a recognized approach to management which focuses on staff empowerment (Sheehan; 1998). At the same time, forms of employee participation have flourished in the 1980s in the guise of managerial policy initiatives inspired by the new 'excellence' movement and have been expounded as a key instrument in the creation of Human Resource Management (HRM) strategies (Sheehan; 1998). Finally, in recent years, inspired by Japanese management practice, various forms of team-working based around customer care and Total Quality Management (TQM) programmes have witnessed a considerable rise in popularity (Sheehan; 1998).

In recent times, private sector has come to recognize the need to introduce cross sectoral concepts and principles in order to accentuate the process of Organizational development. The earlier concept of '*Public-Private Dichotomy*' has thus been challenged. The deployment of the concept of Governance, which is, largely related to the public sector, is particularly important. Thus, the concept of 'Corporate Governance' has been getting wide recognition by the corporate sector. According to Rosenau (1992), "Governance is a more encompassing phenomenon than Government. It embraces governmental institutions, but it also subsumes informal, non-governmental mechanisms whereby those persons and Organizations within its purview move ahead, satisfy their needs, and fulfill their wants.....Governance is thus a system of rule that is as dependent on inter-subjective meanings as on formally sanctioned constitution and charter.....". According to Bhattacharya (2000), "Governance in the broader context stands for establishment, operation and networking of social institutions. Concretely, it manifests itself in formal rules and regulations, decision making procedures and programmatic activities that serve to define social practices." Thus, Corporate Governance refers to the rules and procedures, principles and processes by which a company is governed. They provide the guidelines as to how the company can be directed or controlled so that it fulfills its goals and objectives in a manner that adds to the value of the company and is also beneficial for all stakeholders in the long term.

Stakeholders in this case would include everyone ranging from the board of directors, management, shareholders to customers, employees and society.

The concept was introduced with the thought that it is not enough for a company to merely be profitable; it also needs to demonstrate good corporate citizenship through environmental awareness, ethical behavior and sound corporate governance practices. Thus, Corporate Governance is seen as a step to increase the public confidence on the Corporates.

Another important change has been the realization of the Corporate's responsibility towards the larger civil society. Thus, the concept of Corporate Social Responsibility defined in terms of the responsiveness of businesses to stakeholders' legal, ethical, social and environmental expectations, has been gaining much acceptance among the corporate (UNIDO). The perspective taken is that for an organization to be sustainable, it must be financially secure, minimize (or ideally eliminate) its negative environmental impacts and act in conformity with societal expectations (UNIDO).

Thus, inter sectoral principles and concepts seems to be sweeping both the public as well as the private spheres as there is a growing realization that much needs to be learnt from each other. Both the sectors have made attempts to evolve organizationally, adapt and adjust to the shifting realities and environmental demands and pressures. Needless to say that NGO's comprise a distinctive organizational category. Fowler and Edwards (2002) have brought out the differences of NGO Sector and the private and public sector. According to them, although both the NGO's and Government Organizations deal with the same types of issues like poverty, injustice, exclusion etc., unlike government Organizations NGOs do not have statutory authority to act. Hence, they have to constantly justify their presence and value to the society.

Secondly, the NGOs power and influence is based on civic engagement, social capital and social mobilization compared to the political mandate of the government or the financial capital or influence of the business Organizations (Fowler and Edwards; 2002).

Thirdly, the NGOs have a wider Organizational and development goals whose achievement relies on forces beyond their control. Unlike the governmental and business Organizations their performance cannot be measured in terms of electoral results or profit and loss statement (Fowler and Edwards; 2002).

Fourthly, unlike the governmental and the business Organizations, the NGOs derive their financial resources neither from the taxpayers that they serve nor from the customers. They on the other hand have to negotiate with the resource providers and the populations that justify their existence (Fowler and Edwards; 2002).

Unlike other Organizations NGOs often work in the conditions of instability, conflict, poor infrastructure and poverty which make them vulnerable. Depending on the politics of the country, foreign aid along with the poor may invite political suspicion and control. This may cause an open or covert constraint on their work and even to their existence (Fowler and Edwards; 2002).

Finally, unlike other Organizations NGOs cannot rely on hierarchy and coercion or financial rewards and material incentives to obtain compliance of their staff towards Organizational goals. They rather have to satisfy the self motivation of the staff and the volunteers or response to the value base of the individuals that persuade them to work (Fowler and Edwards; 2002).

Thus, the organizational management of NGOs needs to be holistically viewed from this standpoint. However, it has to be kept in mind that the process of development per se, can be brought about only with the mutual cooperation and partnerships between the three sectors, namely, government, private and non-governmental sectors. For the success of this concerted effort, it is imperative that all the partners have to perform consistently. Thus, like the government and the private sector, the non-governmental sector would have to make efforts to bring about required reforms for desired transformation.

David Lewis (2003) has cited various reasons for delayed response of NGO's and other developmental Organizations to the idea and practice of Management. According to him, 'the expressive aspect of third sector organizations may act as a barrier to the espousal of certain formal ideas about management'. Several NGOs consider themselves to be an 'alternative actors' and often are reluctant to accept the role of management within their Organizations, viewing management as an orthodox, mainstream concern (Lewis 2001). Others often view themselves as being action oriented, stressing on an 'informal culture of action' rather than engaging themselves with a formal system of Management (Lewis 2001). 'As primarily informal and person-driven, many such NGOs have considered it unnecessary to pay serious attention to their organizational aspect, especially if this has been perceived as taking attention away from their actual work (Lewis 2001)'.

However, of late, their position seems to be changing. Managers of NGOs now increasingly see development as a professional practice. A key priority for NGO management now is the need to ensure that NGOs retain their room for maneuver to adapt, innovate and maintain a range of accountabilities with different constituencies (Lewis and Wallace; 2000). Whilst NGOs have traditionally not acknowledged the link between internal Organizational capacities and their programme performance in the field, there is a growing realization among them that management is a key determinant of project success (Sahley; 1995; Sheehan; 1998).

As has been mentioned earlier, the concept of NGO Management has been a subject of much debate. Given their varied contexts, nature of work, goal-setting and finally their multiple stakeholders, any one model or method of Management cannot be assigned to these Organizations. Several researchers and consultants have applied themselves to the question of which theories and models NGO practitioners can use in the design and management of their agencies. At present, there is no consensus regarding the nature of NGO management principles and practices, although the importance of

management is generally accepted. James Sheehan (1998) has come up with what has been termed as the "NGO Management Debate".

Four schools of thought have been outlined by earlier writers on this issue. Three of the four perspectives presented argue that NGOs require a distinctive management style. The first school of thought insists that NGOs are voluntary Organizations and should draw on voluntary sector principles (Sheehan; 1998). A second view holds that NGOs contexts are critical in determining the type of management they need, and that the principles of development management should therefore strongly influence NGO management (Sheehan; 1998). Third view takes the cultural perspective into consideration which questions the applicability of western management models, discusses the need for 'indigenous' approaches, and argues that the cultural environment in which the NGO operates must determine the nature of NGO management (Sheehan; 1998).

The arguments for a distinctive approach to NGO management, however, are not unanimously accepted. The author cites that several writers have argued that the distinction between the management of non-profit and commercial Organizations is largely irrelevant as management principles should apply to all Organizations whatever their nature and function. The priority need for NGOs, according to them, is straightforward, basic, 'nuts and bolts' management to meet equally straightforward basic weaknesses in Organizational management (Sheehan; 1998).

## Conclusion

It is true that the debate of NGO Management cannot be laid to rest easily. Indeed, there cannot be answers to the question of what would be the appropriate model to choose for NGO Management. However, it can be said with great certainty that if NGO's aspire to contribute to the development process positively, they would have to make conscious efforts for bringing about several structural and procedural changes in order to position themselves for maximum impact and effectiveness.

NGO's would have to create outward rather than inward looking systems. The emphasis would have to be on managing diversity and bringing about greater accountability, answerability, sustainability, transparency, and above all participation in order to enhance the democratization process at all levels. This process can be made effective only after NGO's put their house in order first. In this regard, it would be a truism to say that this can be achieved only by bringing about Organizational reforms and managerial rethinking.

NGO's would themselves have to be receptive to changes that they foresee or plan on bringing about in the society. They would also have to incorporate and practice the values and ethics that they desire for the larger society. A sound management of these Organizations would go a long way in realizing their true potentials and bridging the gap between what they preach and what they practice.

In the changing global context it is imperative that the NGOs develop ways of working that are less focused on promoting their own profile and more

concerned with building alliances, involve working with others and dividing roles and responsibilities in a collaborative way. NGOs have to be more open to new ideas and need to have a greater willingness to learn in wake of the new problems confronted by them and the arrival of new actors in the development scenario. NGOs work as a connector or a linking pin joining the civil society with the government and the business Organizations. The strength of these Organizations would lie in their ability to bring together the knowledge, expertise and ideas of the organizational staff and in this manner evolve as 'Learning Organizations'. Thus, the development of an NGO management framework that can sit confidently alongside management and Organizational development theories from other sectors remains an important task for the future.

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